

## Message Text

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ACTION EUR-25

INFO OCT-01 IO-12 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 L-03 H-02

PA-03 PRS-01 USIA-12 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 RSR-01 /168 W

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R 221130 Z MAY 73

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 6254

INFO USMISSION NATO

USMISSION EC BRUS FCS BVQT

USMISSION OECD PARIS

USMISSION GENEVA

AMCONSUL ZAGREB

UNCLAS BELGRADE 2254

E. O. 11652: N/ A

TAGS: EGEN EFIN ETRD YO

SUBJ: FEC ANALYZES FIRST QUARTER 1973 ECONOMIC RESULTS

REF A. BELGRADE A-283 B. BELGRADE TEL 2162 C. BELGRADE TEL 2246

1. FEDERAL EXECUTIVE COUNCIL SENT 14- PAGE ANALYSIS OF FIRST QUARTER 1973 ECONOMIC RESULTS TO FEDERAL ASSEMBLY MAY 18 FEDERAL SECRETARY FOR ECONOMIC ANALYSIS NISAM KONFINO OUTLINED FEC' S CONCLUSIONS AT PRESS CONFERENCE.

2. ON POSITIVE SIDE, REPORT NOTES A) GOOD BALANCE OF PAYMENTS RESULTS; B) CONTINUED GROWTH IN FOREIGN EXCHANGE RESERVES; C) DEMAND BROUGHT INTO LINE WITH SUPPLY; D) INITIAL FAVORABLE RESULTS OF MEASURES TO COMBAT ILLIQUIDITY; AND E) CARRYING OUT OF PROGRAM FOR FASTER DEVELOPMENT OF LESS- DEVELOPED REPUBLICS AND KOSOVO.

3. ON NEGATIVE SIDE, REPORT NOTES: A) HIGH RATE OF INFLATION;  
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B) SLOWER- THAN- PLANNED PRODUCTION GROWTH: C) FASTER THAN ANTICIPATED GROWTH IN COST OF LIVING; D) UNFAVORABLE INVESTMENT PATTERN (DECLINING INVESTMENT GROWTH RATE IN INDUSTRY, RISING INVESTMENT GROWTH RATE IN NON- PRODUCTIVE SECTOR); AND E) DECLINE IN REAL EARNINGS AND CONSEQUENTLY IN STANDARDS OF LIVING.

4. REPORT CITES HIGH COST OF LIVING, EXCESSIVE SURCHARGES ON PERSONAL INCOME ( E. G. STABILIZATION LOANS) AND ON PERSONAL EXPENDITURE ( HIGHER TURNOVER TAXES) AS MAJOR OBSTACLES TO ATTAINING PLANNED INCREASE IN REAL LIVING STANDARDS. EXCESSIVE GROWTH IN PRICES BLAMED ON DEVALUATION EFFECTS AND HIGH WORLD RAW MATERIAL PRICES. TANJUG ADD BTHAT " NO SECRET IS MADE OF OPINION" THAT FAILURE OF REPUBLICS AND PROVINCES TO AGREE ON COMMON PRICE POLICY ALSO PLAYED A ROLE IN PRICE INCREASES. REPORT ALSO STATES THAT " MAIN GOAL" OF GOVERNMENT IN COMING MONTHS WILL BE IN SEEING THAT PRODUCTIVE SECTOR, AND PRIMARILY MANUFACTURING, GET GREATER SLICE OF NATIONAL INCOME. ACCORDING KONFINO, EXPANSION OF PRODUCTION CAPACITY IS BASIS OF ALL MEASURES TO BE TAKEN BY GOVERNMENT IN THE NEAR- TERM.

5. COMMENT. FEC REPORT IS ESSENTIALLY RESTATEMENT OF POSITION TAKEN BY PREMIER BIJEDIC IN REPORT TO FOURTH LCY CONFERENCE ( REF A). STEPS TO REMEDY NEGATIVE ASPECTS OF FIRST QUARTER 1973 RESULTS HAVE ALREADY BEGUN: NATIONAL BANK HAS CONVERTED SIZEABLE AMOUNT OF SHORT- TERM CREDITS TO COMMERCIAL BANKS INTO LONG- TERM LOANS INTENDED FOR USE IN PRODUCTIVE SECTOR OF ECONOMY ( REF B); AND FEDERAL GOVERNMENT AND REPUBLICS HAVE JUST CONCLUDED AN AGREEMENT ON PRICE POLICY ( REF C).  
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\*\*\* Current Classification \*\*\* UNCLASSIFIED

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